

Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 AF-08 ARA-06 EUR-12 NEA-10 AID-05
CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06
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OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03 IO-13 /129 R

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FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI
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USLO PEKING
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C O N F I D E N T I A L STATE 004382

C O R R E C T E D COPY (OMISSION LINE 19 PARA 1)

E.O. 11652: GDS

TAGS: PFOR, EFIN, IMF, CH, TW

SUBJECT: CHIREP IN INTERNATIONAL MONETARY FUND

REF: STATE 313915

1. AT JAN 5 MEETING, IMF EXEC BOARD APPROVED RESPONSE TO
SEPT 30 PEOPLES BANK OF CHINA MESSAGE CLAIMING CHINESE
ASSETS FOR PRC AND CALLING FOR EXPULSION OF ROC FROM THE
FUND. RESPONSE WAS MORE FORTHCOMING THAN ORIGINALLY
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CONTEMPLATED BY FUND MANAGING DIRECTOR WITTEVEEN AS A RESULT
OF PRESSURES BY NORDIC GROUP AND OTHERS FAVORING EXPULSION
OF ROC AND ADMISSION OF PRC. IT STATED THAT EXEC DIRECTORS
WISHED TO RESOLVE MATTER OF REPRESENTATION IN EQUITABLE AND
SATISFACTORY MANNER CONSISTENT WITH FUND'S ARTICLES OF
AGREEMENT AND THEREFORE NEEDED TO KNOW PRC'S INTENTIONS
IN RESPECT TO MEMBERSHIP. RESPONSE REMINDED PEOPLE'S BANK

THAT FUND IN 1973 HAD APPROACHED PRC TO LEARN OF ITS INTENTIONS AND NOTED THAT FUND REMAINS PREPARED TO DISCUSS MATTER WITH PRC AT ITS CONVENIENCE AND LOOKS FORWARD TO POSITIVE RESPONSE. WITTEVEEN LETTER WAS APPROVED BY BARE MAJORITY OF EXECUTIVE DIRECTORS (US, UK, CANADA, W.GERMANY, AND JAPAN) AGAINST THOSE WHO FAVORED EXPULSION OF ROC. COMMENT: IN LIGHT OF CONTINUED LACK OF ANY EVIDENCE OF PRC INTEREST IN JOINING, WE BELIEVE THAT FUND'S LETTER TO PRC BUYS TIME FOR CONTINUED ROC MEMBERSHIP.

2. GOLD RESTITUTION: AT SAME MEETING DIRECTORS WERE DIVIDED ON FRENCH PROPOSAL TO WITHHOLD RESTITUTION TO ROC, PENDING RESOLUTION OF CHIREP ISSUE. AT MEETING ROC OFFERED TO PUT PROFITS FROM GOLD RESTITUTION AND SALE INTO IMF TRUST FUND SERVING LEAST DEVELOPED COUNTRIES AND IMF STAFF MADE STRONG LEGAL ARGUMENTS SUPPORTING RESTITUTION TO ROC; HOWEVER, ONLY US, UK, CANADA, AND ARGENTINA (WITH A TOTAL OF 36 PERCENT OF THE VOTES) SUPPORTED THE ROC. 42 PERCENT SUPPORTED FRENCH PROPOSAL AND REMAINDER ABSTAINED. ABSTAINERS INCLUDED JAPANESE WHO HAD INSTRUCTIONS TO SUPPORT CONSENSUS ON EITHER SIDE OF QUESTION.

3. MANAGING DIRECTOR SUBSEQUENTLY PROPOSED COMPROMISE ON GOLD WHICH IS TO BE DISCUSSED BY EXEC DIRECTORS AT JAN 10 MEETING. OPERATIVE PARAGRAPH OF PROPOSAL IS QUOTE: THE RESTITUTION OF GOLD TO CHINA SHOULD NOT BE INCLUDED IN THE PRESENT ARRANGEMENTS FOR RESTITUTION. IF BY APRIL 1, 1977 THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA EXPRESSES ITS WISH TO BE REPRESENTED IN THE FUND, THE EXECUTIVE
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DIRECTORS COULD RETAIN THE GOLD TO BE RESTITUTED TO CHINA UNTIL THE QUESTION OF REPRESENTATION HAD BEEN RESOLVED. AS NOTED IN THE LEGAL MEMORANDUM, THE DECISION TO POSTPONE RESTITUTION IN THESE CIRCUMSTANCES COULD BE TAKEN IF THE FUND WAS PROCEEDING TO AN EXPEDITIOUS DISPOSITION OF THE ISSUE OF REPRESENTATION. IF, BY APRIL 1, 1977, A RESPONSE OF THE KIND I HAVE MENTIONED HAS NOT BEEN RECEIVED FROM THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA, THE ARRANGEMENTS FOR THE FIRST AMOUNT OF RESTITUTION WILL BE COMPLETED. END QUOTE.

4. US WILL SUPPORT MANAGING DIRECTOR'S COMPROMISE WHICH DEPT BELIEVES MAY BE ACCEPTABLE TO MAJORITY OF IMF BOARD. IN MEETING AT DEPT, DEC 30, MARTIN WONG INDICATED ROC WOULD PROBABLY FIND SUCH A COMPROMISE ACCEPTABLE.
KISSINGER

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Message Attributes

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